

Interest-Charge Domestic International Sales Corporations, 1991

by Daniel S. Holik

The number of active Interest-Charge Domestic International Sales Corporation (IC-DISC) returns declined from 1,185 for Tax Year 1987 (the last previous year for which statistics were compiled) to 980 for Tax Year 1991, while "export gross receipts" reported by IC-DISC's declined from \$3.6 billion to \$3.5 billion during the same period (Figure A) [1]. Reflecting the accumulation of tax-deferred income over several years, tax-deferred IC-DISC income reported to shareholders increased from \$0.3 billion for Tax Year 1987 to \$0.5 billion for Tax Year 1991.

Figure A

Active IC-DISC Returns: Number of Returns, Selected Income Statement and Balance Sheet Items, and Distributions, Tax Years 1987 and 1991

(Money amounts are in thousands of dollars)

Item	Tax year	
	1987	1991
Number of returns	1,185	980
Total assets.....	910,910	972,124
Qualified assets.....	900,105	964,115
Export property.....	46,401	75,124
Total liabilities ¹	318,316	228,052
Total qualified export receipts and nonqualified receipts.....	1,829,245	1,688,454
Qualified export receipts from the sale of export property.....	1,673,285	1,633,338
Other qualified export receipts.....	145,354	5,921
Cost of sales and operations.....	1,248,988	1,237,193
Total export promotion and other expenses.....	323,505	233,173
Export promotion expenses.....	250,079	179,329
Net income (less deficit).....	256,752	218,088
Net income.....	260,250	223,089
Deficit.....	3,498	5,000
Taxable income.....	258,130	222,340
Portion attributable to excess qualified export receipts.....	33,992	38,562
Adjusted IC-DISC income subject to tax-deferral computation.....	217,343	173,911
Current-year tax deferred income.....	209,556	171,830
Amount deemed distributed.....	48,888	54,004
Tax-deferred IC-DISC income reported to shareholders.....	267,322	529,776
Actual distributions to shareholders.....	92,858	143,670
Current-year total export gross receipts of IC-DISC's and related U.S. persons:		
Total ²	4,118,994	3,864,290
IC-DISC's.....	3,622,605	3,493,513
Related U.S. persons ²	496,389	370,777

¹Excludes shareholder's equity accounts.

²Data may be slightly overstated since parent shareholders may create more than one IC-DISC.

NOTES: Detail may not add to totals because of rounding.

Tax Year 1987 IC-DISC statistics are presented in the Statistics of Income Bulletin, Spring 1992, Volume 11, Number 4.

The IC-DISC entity, created by the Deficit Reduction Act of 1984, is a domestic corporation that has one purpose—to provide a tax benefit to its U. S. "parent" shareholders for the export of certain U.S. manufactured products or services [2]. The IC-DISC, specifically targeted to promote export activity by smaller businesses, replaced the then-existing Domestic International Sales Corporation (DISC). The creation of the IC-DISC entity was a culmination of extensive discussions, both within the United States and between the United States and its major trading partners, over the nature, form, and scope of export preferences incorporated within the Internal Revenue Code.

Current Law

Generally, IC-DISC's are created by their "parent" shareholders to promote export of the parent's products and services. Figure B presents the majority ownership of active IC-DISC returns by entity type of shareholder for Tax Year 1991. By design, an IC-DISC provides a type of "tax deferral" benefit to its shareholders. No U. S. tax is imposed on certain types and amounts of IC-DISC income, i.e., payment of income tax is "deferred," until the income is either actually distributed or "deemed" distributed to shareholders; the IC-DISC, itself, is not taxed. However, the IC-DISC is required to: (1) calculate the tax-deferred portion of its "taxable income" each year; (2) accumulate the tax-deferred income for the current year and prior tax years in a separate account; and (3) report the total accumulated amount of tax-deferred income to its shareholders each year. The IC-DISC's shareholders are then required to pay an interest charge on the tax that would have been imposed on the IC-DISC's taxable income if the addition of the IC-DISC's income would result in increased taxable income on the shareholder's tax return. This interest charge is determined using a compounded annual rate of interest equivalent to the average investment yield of U.S. Treasury bills with maturities of 52 weeks [3].

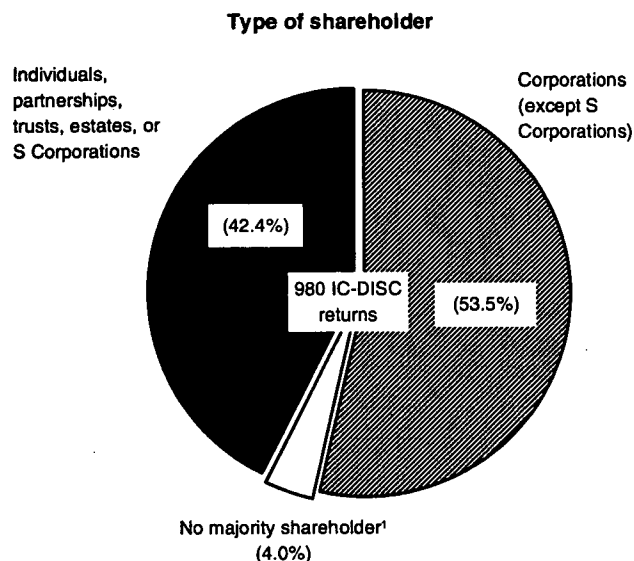
IC-DISC taxable income that does not qualify for deferral from tax is "deemed" distributed to the IC-DISC's shareholders as a dividend in the tax year in which the income is earned, regardless of whether the income is actually distributed to the shareholders or is retained by the IC-DISC [4]. For example, IC-DISC's must calculate and maintain separate gross receipts and taxable income amounts for each export transaction. If the total of certain "export gross receipts" is greater than \$10 million for the tax year, taxable income derived from export gross receipts above this amount is not eligible for deferral, and is deemed distributed to shareholders. Gross receipts

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Figure B

Active IC-DISC's by Type of Shareholder, Tax Year 1991



¹Also includes a few IC-DISC returns for which type of majority shareholder could not be determined.

NOTE: Detail may not add to totals because of rounding.

amounts over the \$10 million limitation are defined as "excess qualified export receipts"—a limitation intended to restrict IC-DISC benefits to smaller businesses. Other types of income not eligible for tax-deferral are certain gains from the sale or exchange of assets; one-half of IC-DISC taxable income attributable to military property; "international boycott income;" illegal bribes and kickbacks; and foreign investment attributable to "producer's loans." For Tax Year 1991, IC-DISC's reported \$222 million of taxable income, of which \$39 million was attributable to "excess qualified export receipts." A total of \$54 million was deemed distributed for Tax Year 1991 [5].

After calculating "deemed" distributions and subtracting them from IC-DISC taxable income, and after payment of actual distributions (if any) to shareholders, the income remaining is considered to be tax-deferred and is reported to shareholders on Schedule K, *Shareholder's Statement of IC-DISC Distributions*. Accumulated tax-deferred IC-DISC income reported to shareholders increased from \$267 million for Tax Year 1987 to \$530 million for Tax Year 1991.

Parent corporations (or other taxpayers) form an IC-DISC by filing a Form 4876-A, *Election to be Treated as an Interest-Charge DISC*. This election is considered to be in effect as long as the IC-DISC meets certain quali-

cation requirements, primarily that: (1) at least 95 percent of the IC-DISC's total receipts are "qualified export receipts," and (2) at least 95 percent of the adjusted basis of the IC-DISC's total assets are "qualified assets." Qualified export receipts arise from the sale or exchange of qualified export property by an IC-DISC. In general, export property is property made, grown or extracted in the United States, by an entity other than an IC-DISC, for direct use or disposition outside the United States.

IC-DISC's are also generally required to have only one class of stock, conform the IC-DISC's tax year to the tax year of the principal shareholder, usually a U.S. corporation, and maintain separate books and records. Tax-deferred IC-DISC income, income deemed but not actually distributed to shareholders during the current tax year, and certain other retained earnings amounts have to be kept in separate accounts in the IC-DISC's balance sheet. In Table 1, the sum of these accounts is the difference between Total assets (column 2) and Total liabilities (column 5); they comprise the shareholder's equity of IC-DISC's.

Distribution of IC-DISC's by Principal Product or Services Groups

Figure C presents distributions of active IC-DISC returns by principal product or service group for Tax Years 1987 and 1991. For Tax Year 1991, about 91 percent of the 980 active IC-DISC returns were filed by companies exporting manufactured products. Within manufactured products, the electrical machinery, equipment, and supplies group was the most frequently reported class of export products. Other important manufactured product groups were nonelectrical machinery; fabricated metal products; chemicals and allied products; transportation equipment; and professional, scientific, and controlling instruments.

A comparison of the data for Tax Years 1987 and 1991 by principal product groupings shows increases in the number of IC-DISC returns for the following manufactured product groups: textile mill products; apparel and other finished goods; lumber and wood products (except furniture); paper and allied products; chemicals and allied products; petroleum refining and related products; and fabricated metals. Together, these groups account for 28 percent of all returns filed for 1991, up from 18 percent of the returns filed for 1987. The number of IC-DISC returns filed for all of the "other" manufactured product groups, as well as those for the nonmanufactured products and services groups, declined for 1991 compared to 1987.

Assets, receipts (including total export gross receipts of the IC-DISC's and related U.S. persons), deductions,

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Figure C

Active IC-DISC Returns by Major Product or Service Group, Tax Years 1987 and 1991

Product or service group	Number of returns	
	1987	1991
All products and services.....	1,185	980
Manufactured products	1,085	892
Ordnance and accessories.....	3	-
Food and kindred products.....	51	38
Textile mill products.....	33	36
Apparel and other finished goods.....	12	14
Lumber and wood products, except furniture.....	21	36
Furniture and fixtures.....	13	10
Paper and allied products.....	18	25
Printing, publishing, and allied products.....	17	14
Chemicals and allied products.....	46	69
Petroleum refining and related products.....	5	7
Rubber and miscellaneous plastics products.....	17	14
Leather and leather products.....	9	7
Stone, clay, glass, and concrete products.....	8	5
Primary metal products.....	55	31
Fabricated metal products.....	78	83
Machinery, other than electrical.....	169	129
Electrical machinery, equipment, and supplies.....	209	169
Transportation equipment.....	73	68
Professional, scientific, and controlling instruments.....	138	72
Miscellaneous manufactured products.....	110	65
Nonmanufactured products and services.....	100	72
Product or service not allocable.....	-	16

NOTE: Detail may not add to totals because of rounding.

income and distributions of IC-DISC's, classified by selected principal product or service for Tax Year 1991 are also presented in Table 1.

Legislative History

The Domestic International Sales Corporation (DISC) was first proposed in the Trade Act of 1970, and was subsequently enacted in the Revenue Act of 1971. The DISC program was designed to provide a tax benefit to U. S. taxpayers striving to export domestically-manufactured goods and services to foreign countries, thereby stimulating U. S. domestic employment and economic growth. In addition, the DISC program was, in part, a response to export subsidy policies enacted by foreign governments. As Secretary of the Treasury John B. Connally noted in a memorandum introducing the DISC program to U. S. businessmen: "The DISC legislation provides a straightforward method of treating exports for tax purposes in a manner more equivalent to that available to many foreign competitors. These provisions are designed especially to encourage smaller businesses, which may have had little or no export experience, to export" [6].

From its inception, the DISC program was controversial. Domestic criticisms centered around whether there

was a need for an additional tax benefit for domestic companies, and doubts about whether the DISC program could or would actually stimulate export activity. At the international level, several foreign governments that subscribed to the General Agreement on Trades and Tariffs (GATT) used the forum provided by GATT to raise questions about whether the DISC program was an illegal export subsidy under GATT rules, since the initial DISC legislation essentially provided an indefinite deferral of tax on DISC income.

To address complaints about the DISC and income tax practices of other foreign governments, expert panels were created under GATT auspices during the late 1970's and investigations conducted. In general, the panel's reports adopted in December 1981 held that the DISC and the income tax practices of several other foreign governments did, indeed, contradict GATT standards for export pricing.

The DISC legislation was amended several times during the 1970's, as GATT discussions and investigations ensued. While the U. S. Government did not officially acknowledge that the DISC mechanism was in violation of GATT standards, it recognized that the controversy over the deferral of taxable income did need to be addressed. Finally, in the Deficit Reduction Act of 1984 (DRA '84), the DISC program was modified in accordance with the GATT regulations adopted in 1981, and the IC-DISC entity was created [7]. At the same time the IC-DISC entity was created, DRA '84 also created another entity targeted to provide tax benefits to larger U. S. businesses that wished to export goods and services—the Foreign Sales Corporation (FSC). The FSC was intended to benefit large businesses that had qualified for benefits under the DISC program, but did not qualify for benefits under the revised IC-DISC legislation [8]. In addition, DRA '84 also required that the Treasury Department submit regular reports to Congress on the operation of the IC-DISC and FSC programs [9].

Explanation of Selected Terms

Actual Distributions to Shareholders — Distributions from the IC-DISC's "earnings and profits" actually paid to shareholders of the IC-DISC.

Adjusted IC-DISC Income Subject to Deferral Computation — This represented the IC-DISC's taxable income after subtracting certain amounts not eligible for tax deferral (e.g., amounts deemed distributed). For Tax Year 1991, adjusted IC-DISC income subject to the tax deferral computation equaled IC-DISC taxable income minus the sum of: (1) gross interest from "producer's loans"; (2) certain gains from the sale or exchange of assets; (3) one-half of IC-DISC taxable income attributable to military property; and (4) IC-DISC taxable income attributable to

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“export gross receipts,” defined below, greater than \$10 million. The calculation of adjusted IC-DISC income subject to tax deferral was the first step in the computation of the amounts deemed distributed and current-year tax-deferred income (both terms are defined below).

Amounts Deemed Distributed — This was the portion of the IC-DISC’s “earnings and profits” that was not eligible for tax-deferral and, hence, was characterized as a fully taxable dividend to the IC-DISC’s shareholder(s). For Tax Year 1991, amounts deemed distributed were the sum of: gross interest from “producer’s loans”; certain gains from the sale or exchange of assets; one-half of IC-DISC taxable income attributable to military property; IC-DISC taxable income attributable to export gross receipts greater than \$10 million; international boycott income; illegal bribes and kickbacks; and foreign investment attributable to producer’s loans. In addition, IC-DISC’s having all corporations except “S” corporations as shareholders were required to report one-seventeenth of their adjusted IC-DISC income subject to deferral as an amount deemed distributed.

Current-Year Tax-Deferred Income — This amount represented the IC-DISC’s taxable income after all current year taxable income amounts deemed distributed under Internal Revenue Code section 995(b)(1) were subtracted.

Export Gross Receipts — Export gross receipts of the IC-DISC represented “qualified export receipts” from: (1) the sale, lease, or rental of export property; (2) services related and subsidiary to any qualified sale, lease, or rental of export property; (3) engineering or architectural services for construction projects located outside the United States; and (4) export management services provided to other unrelated IC-DISC’s to aid in promoting qualified export receipts. For IC-DISC’s that acted as commission agents, export gross receipts included the total receipts on which the commission was earned, as well as the commission. Export gross receipts do not include passive income (dividends, interest, or capital or ordinary gains on sale of business property) received by IC-DISC’s.

Export Promotion Expenses — These were expenses (excluding income taxes) incurred by an IC-DISC to advance the sale, lease, or other distribution of export property for use, consumption, or distribution outside the United States.

Export Property — The IC-DISC’s export property was inventory and property held for sale or lease which: (1) had been manufactured, produced, grown, or extracted in the United States by a “person” other than an IC-DISC; (2) was held primarily for sale or lease in the ordinary course of business for direct use, consumption, or disposition outside the United States; and (3) had, at the time of

sale or lease by the IC-DISC, not more than 50 percent of its fair market value attributable to imported articles.

IC-DISC Taxable Income — This was the IC-DISC’s net income minus statutory special deductions (i.e., the “net operating loss deduction” and intercorporate dividends-received deduction). IC-DISC taxable income was computed to determine: (1) the IC-DISC’s “earnings and profits” considered “deemed” distributed to the shareholders of the IC-DISC for the current taxable year; and (2) the interest charge on tax that would have been imposed on IC-DISC income had it not been subject to deferral.

Producer’s Loans — This qualified asset generally consisted of loans made out of the IC-DISC’s accumulated tax-deferred IC-DISC income to its parent company or any other U. S. person engaged in manufacturing, producing, growing, or extracting export property. A producer’s loan must have been designated as such, have been evidenced by a note, have had a stated maturity not to exceed 5 years, and have been attributed to assets used in export production. If a producer’s loan was renewed, it had to requalify at the time of renewal. A producer’s loan did not have to be traced to a specific investment by the domestic borrower, but was subject to certain limitations to assure that it did not exceed the investment in assets that could have been attributable to production for export.

Qualified Assets — Qualified export assets included any of the following: (1) export property; (2) assets used in performing engineering or architectural services; (3) accounts receivable produced, in general, by export transactions; (4) working capital; (5) producer’s loan obligations; (6) certain stocks or securities held by an IC-DISC; and (7) certain obligations issued or insured by the U.S. Export-Import Bank or the Foreign Credit Insurance Association; and (8) certain other deposits.

Qualified Export Receipts — See export gross receipts.

Related U.S. Persons — IC-DISC related U.S. persons were: (1) individuals, who were citizens or residents of the United States and who controlled the IC-DISC; (2) domestic partnerships, estates, or trusts that controlled the IC-DISC; (3) domestic corporations that controlled the IC-DISC; and (4) domestic corporations that were controlled by the same person or persons that controlled the IC-DISC. Control meant direct or indirect ownership of more than 50 percent of the voting power of the stock entitled to vote in an IC-DISC or other domestic corporation. Under the stock attribution rules of Internal Revenue Code section 267(c), stock held by related family members is considered to be held as if the family is one shareholder.

Tax-Deferred IC-DISC Income Reported to Shareholders — This amount was reported on Form 1120-IC-DISC, Schedule K, *Shareholders Statement of IC-DISC Distribu-*

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tions. An interest charge on the tax that would otherwise have been paid currently on this income amount was computed by IC-DISC shareholders on Form 8404, *Computation of Interest Charge on DISC-Related Deferred Tax Liability*.

Total Qualified Export Receipts and Nonqualified Receipts — The sum of qualified export receipts and nonqualified receipts was used by the IC-DISC as a starting point for the computation of IC-DISC's net and taxable incomes. For IC-DISC's that acted as commission agents, total qualified export receipts and nonqualified receipts exclude the total receipts upon which the commission was earned, and therefore represent only the commission amounts. Total qualified export receipts and nonqualified receipts include passive income (dividends, interest, capital or ordinary gains) amounts received by IC-DISC's. IC-DISC passive income amounts may be characterized as either qualified export receipts or nonqualified gross receipts.

Data Sources and Limitations

Form 1120 IC-DISC returns, having accounting periods ending between July 1991 and June 1992, filed during Calendar Years 1991, 1992, and 1993, were included in the statistics. The data presented are adjusted estimates, and exclude "inactive" IC-DISC returns. An IC-DISC was considered to be inactive if no receipts, deductions, income, or distributions were reported on the return.

The Tax Year 1991 IC-DISC study was designed to include the entire population of IC-DISC returns; however, certain returns were unavailable for the statistics. The complete 1991 IC-DISC study file included 969 returns, adjusted to reflect an estimated population of approximately 1,100 active and inactive IC-DISC returns. Because the data were based upon all returns available, sample error was not a limitation. With regard to nonsampling error, some of the data were inconsistently reported. Where possible, inconsistencies in the data were adjusted to reflect provisions of the Internal Revenue Code and taxpayer intentions.

The products and services classification system used in the 1991 IC-DISC study was generally based upon IRS instructions provided to the taxpayer for completion of Schedule N, *Export Gross Receipts of the IC-DISC and Related U.S. Persons*. Products and services reported by a taxpayer on each specific return were reviewed for consistency with product information provided on other schedules and taxpayer attachments, and the principal business activities described on the return. For example, the return was reviewed if a taxpayer reported engineering services

on Schedule N without reporting any "engineering services income" on Schedule B, *Gross Income*. In addition, products and services reported by taxpayers on specific returns were reviewed for consistency with the major products and services group classification. Since an IC-DISC is intended to serve solely as an export subsidy mechanism for U. S. taxpayers, certain business activities, such as manufacturing, are not applicable to an IC-DISC. Consequently, IC-DISC returns reporting manufacturing as the principal business activity were reviewed and reconciled with product and other information. As an example, an IC-DISC return reporting the manufacture of farm machinery and equipment as the principal business activity would have been reviewed to ascertain if a more appropriate principal business activity was the wholesaling of farm machinery and equipment.

Notes and References

- [1] For more information on Tax Year 1987 IC-DISC data, see "Interest-Charge Domestic International Sales Corporation Statistics for 1987," *Statistics of Income Bulletin*, Spring 1992, Volume 11, Number 4, pp. 69-73.
- [2] Owners of an IC-DISC are referred to as "shareholders," since not all IC-DISC's are owned by other corporations.
- [3] The interest charge is computed by IC-DISC shareholders on Form 8404, *Computation of Interest Charge on DISC-Related Deferred Tax Liability*. As an example, for Tax Year 1991, the interest charge to an IC-DISC shareholder filing a full calendar year return was calculated using an interest rate of approximately 6.85 percent.
- [4] For additional information on actual and deemed distributions of IC-DISC income, see the Explanation of Selected Terms section of this article.
- [5] Amounts deemed distributed shown in Figure A and Table 1 include amounts deemed distributed under Internal Revenue sections 995(b)(1) (from current year taxable income) and 995(b)(2) (generally from prior year taxable income). In general, these deemed distributions included income amounts not eligible for tax-deferral and distributions from IC-DISC's that had not qualified or revoked their election.
- [6] *Domestic International Sales Corporation, a Handbook for Exporters*, U.S. Department of the Treasury, January 1972, p. i.

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[7] In general, the GATT regulations held that the indefinite deferral of tax on DISC income would not be considered to be an illegal export subsidy if appropriate interest charges were collected. Hence, the DISC program came to be modified as the "Interest Charge" (IC)-DISC program.

[8] The FSC mechanism provides an exemption, rather

than a deferral, of certain income from U.S. tax. Statistics on FSC's are the subject of a later *SOI Bulletin* article.

[9] See, for example, *The Operation and Effect of the Foreign Sales Corporation Legislation, January 1, 1985, to June 30, 1988*, U.S. Department of the Treasury, January 1993.

Table 1.--Active IC-DISC Returns: Assets, Receipts, Deductions, Income, and Deductions of IC-DISC's, and Total Export Gross Receipts of IC-DISC's and Related U.S. Persons, by Selected Major Product or Service Group

(Money amounts are in thousands of dollars)

Selected major product or service group	Number of returns	Assets			Total liabilities ²	Export receipts		
		Total assets ¹	Qualified assets	Export property		Total qualified export and nonqualified receipts	Qualified receipts from sale of export property	Other qualified export receipts ³
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All products and services.....	980	972,124	964,115	75,124	228,052	1,688,454	1,633,338	5,921
Manufactured products.....	892	843,764	836,174	73,831	203,879	1,521,878	1,476,979	5,482
Food and kindred products.....	38	29,042	29,028	154	2,786	45,592	44,749	1
Meat products.....	7	3,567	3,567	--	53	3,083	3,066	--
Confectionary and related products.....	7	7,406	7,406	--	367	9,097	9,037	--
Miscellaneous food preparations and kindred products.....	17	7,116	7,116	154	1,993	28,331	28,100	1
Textile mill products.....	36	28,318	27,264	1,669	6,818	54,605	53,412	(⁴)
Apparel and other finished goods.....	14	10,186	9,581	735	496	23,596	22,965	23
Miscellaneous apparel and other accessories.....	6	6,422	5,816	735	103	6,738	6,275	23
Miscellaneous fabricated textile products.....	6	3,638	3,638	--	392	15,567	15,399	--
Lumber and wood products, except furniture.....	36	48,325	48,259	12,060	4,701	122,130	118,445	198
Sawmills and planing mills.....	11	21,247	21,181	7,757	2,547	79,403	78,948	162
Millwork, veneer, plywood, and prefabricated structural wood products.....	8	13,861	13,861	2,881	342	20,168	19,145	3
Miscellaneous wood products.....	16	12,807	12,807	1,422	1,813	22,559	20,352	33
Furniture and fixtures.....	10	2,326	2,326	112	198	13,151	13,083	--
Household furniture.....	5	1,541	1,541	112	74	11,480	11,423	--
Paper and allied products.....	25	26,847	26,847	32	12,587	74,945	74,342	--
Converted paper and paperboard products, except containers and boxes.....	17	8,540	8,540	(⁴)	2,506	10,725	10,453	--
Printing, publishing, and allied products.....	14	11,399	11,399	1,394	6,427	23,249	23,004	--
Periodicals, publishing, and printing.....	5	4,681	4,680	156	3,698	11,436	11,297	--
Books.....	6	2,811	2,751	--	2,022	5,029	5,024	--
Chemicals and allied products.....	69	83,195	83,175	4,709	32,233	186,267	181,963	33
Industrial inorganic and organic chemicals.....	12	37,665	37,665	437	23,258	91,523	90,568	1
Plastics materials and synthetics (resins, rubber, fibers).....	13	18,336	18,335	2,387	5,454	47,444	46,743	--
Drugs.....	10	6,849	6,849	1,070	1,551	20,001	18,389	5
Soap, detergents, and cleaning preparations.....	10	5,124	5,124	--	295	6,046	5,754	--
Paints, varnishes, lacquers, enamels, and allied products.....	6	1,299	1,296	496	387	2,267	2,240	--
Miscellaneous chemical products.....	17	13,439	13,439	312	1,133	16,080	15,381	27
Petroleum refining and related products.....	7	3,344	3,344	--	230	2,610	2,583	--
Rubber and miscellaneous plastics products.....	14	13,908	13,908	208	1,376	12,765	12,213	10
Miscellaneous plastics products.....	10	9,568	9,568	--	491	9,945	9,535	7
Leather and leather products.....	7	14,825	14,817	89	612	15,352	14,250	--
Stone, clay, glass, and concrete products.....	5	3,186	3,186	613	959	8,951	8,929	--
Primary metal products.....	31	18,964	18,905	525	3,129	31,614	31,380	(⁴)
Fabricated metal products, except ordnance, machinery, and transportation equipment.....	83	67,778	66,692	7,011	12,025	101,395	98,050	294
Cutlery, hand tools, and general hardware.....	14	1,977	1,973	25	174	6,163	6,093	3
Fabricated structural metal products.....	9	10,884	10,884	1,912	1,122	6,949	6,027	5
Miscellaneous fabricated metal products.....	46	41,371	40,289	2,986	9,082	66,150	64,302	282

Footnotes at end of table.

Table 1.--Active IC-DISC Returns: Assets, Receipts, Deductions, Income, and Deductions of IC-DISC's, and Total Export Gross Receipts of IC-DISC's and Related U.S. Persons, by Selected Major Product or Service Group--Continued

[Money amounts are in thousands of dollars]

Selected major product or service group	Number of returns	Assets			Total liabilities ²	Export receipts		
		Total assets ¹	Qualified assets	Export property		Total qualified export and nonqualified receipts	Qualified receipts from sale of export property	Other qualified export receipts ³
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Manufactured products--continued								
Machinery, except electrical.....	129	94,845	92,616	9,603	20,129	143,689	140,078	6
Engines and turbines.....	6	7,224	7,224	132	375	13,090	12,396	--
Farm machinery and equipment.....	7	4,637	4,635	--	6	5,273	5,150	--
Construction, mining, and materials handling machinery and equipment.....	18	10,246	10,236	988	2,430	25,162	24,808	--
Metalworking machinery and equipment.....	11	6,349	6,348	--	500	4,180	3,808	--
Special industry machinery, except metalworking machinery....	36	31,628	31,627	7,920	13,967	51,384	50,352	4
General industrial machinery and equipment.....	25	19,088	16,899	319	1,451	15,457	15,131	--
Miscellaneous machinery, except electrical.....	23	15,534	15,508	244	1,398	29,106	28,406	2
Electrical machinery, equipment, and supplies.....	169	165,904	164,069	10,109	36,958	267,266	257,342	3,261
Electrical industrial apparatus.....	20	8,809	8,794	758	1,940	8,632	8,288	--
Communication equipment.....	10	8,730	8,730	610	712	6,008	5,612	165
Electronic components and accessories.....	72	76,101	74,535	1,348	16,064	114,886	108,555	3,060
Miscellaneous electrical machinery and supplies.....	53	62,222	62,006	5,366	14,378	113,426	110,910	36
Transportation equipment.....	68	85,997	85,959	9,296	20,412	160,812	157,464	-32
Motor vehicles and motor vehicle equipment.....	26	33,942	33,925	2,747	7,256	49,964	48,516	-72
Aircraft and parts.....	29	49,892	49,882	6,549	12,621	103,534	101,697	40
Miscellaneous transportation equipment.....	9	1,839	1,827	--	352	6,826	6,772	--
Professional, scientific, and controlling instruments.....	72	64,192	64,149	6,435	13,945	92,832	90,309	267
Engineering, laboratory, scientific, and research instruments....	20	16,052	16,050	756	1,484	15,382	14,803	175
Instruments for measuring, controlling, and indicating physical characteristics.....	12	3,900	3,865	1	329	5,033	4,680	--
Surgical, medical, and dental instruments and supplies.....	28	32,016	32,011	5,426	10,424	53,512	52,267	92
Photographic equipment and supplies.....	7	2,404	2,403	252	1,357	2,873	2,800	--
Miscellaneous manufactured products.....	65	71,182	70,711	9,078	27,856	141,056	132,418	1,420
Toys, amusement, sporting, and athletic goods.....	17	9,226	9,213	220	3,039	19,843	19,520	131
Miscellaneous manufactured products.....	40	49,795	49,336	8,849	23,167	96,976	94,328	1,231
Nonmanufactured products and services.....	72	123,417	123,039	1,293	24,032	166,222	156,234	214
Grains and soybeans.....	7	5,946	5,946	19	25	6,105	6,058	--
Crops, except cotton, grains, and soybeans.....	22	42,304	42,142	256	17,744	118,852	111,424	6
Export management services.....	8	16,038	15,820	--	1,466	3,441	2,845	118
Computer software.....	11	45,475	45,475	135	1,171	7,414	6,244	90
Miscellaneous nonmanufactured products and services.....	8	5,374	5,374	368	3,154	15,104	14,541	--
Product or service not allocable.....	16	4,943	4,903	--	141	353	125	225

Footnotes at end of table.

Table 1.—Active IC-DISC Returns: Assets, Receipts, Deductions, Income, and Deductions of IC-DISC's, and Total Export Gross Receipts of IC-DISC's and Related U.S. Persons, by Selected Major Product or Service Group—Continued

[Money amounts are in thousands of dollars]

Selected major product or service group	Cost of sales and operations	Export promotion and other expenses		Net income or deficit			Taxable income	
		Total	Export promotion expenses	Net income (less deficit)	Net income	Deficit	Total	Portion attributable to excess qualified export receipts
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All products and services.....	1,237,193	233,173	179,329	218,088	223,089	5,000	222,340	38,562
Manufactured products.....	1,106,447	217,661	169,369	197,770	202,585	4,815	201,967	34,109
Food and kindred products.....	35,338	3,419	3,043	6,834	6,861	27	6,823	720
Meat products.....	1,202	480	444	1,401	1,401	--	1,401	472
Confectionary and related products.....	7,003	681	679	1,413	1,429	16	1,429	--
Miscellaneous food preparations and kindred products.....	25,295	1,554	1,275	1,483	1,494	11	1,455	248
Textile mill products.....	41,397	8,274	6,534	4,934	5,178	244	5,178	307
Apparel and other finished goods.....	19,224	2,734	2,226	1,637	1,999	363	1,999	--
Miscellaneous apparel and other accessories.....	4,590	600	501	1,549	1,549	--	1,549	--
Miscellaneous fabricated textile products.....	12,999	2,129	1,725	439	443	4	443	--
Lumber and wood products, except furniture.....	98,411	12,827	8,154	10,892	10,956	64	10,843	3,253
Sawmills and planing mills.....	64,531	9,912	6,048	4,960	4,960	--	4,902	1,919
Millwork, veneer, plywood, and prefabricated structural wood products.....	16,138	1,544	1,452	2,468	2,468	--	2,468	--
Miscellaneous wood products.....	17,741	1,369	653	3,448	3,511	62	3,455	1,334
Furniture and fixtures.....	10,785	891	642	1,475	1,475	--	1,475	--
Household furniture.....	9,879	655	642	946	946	--	946	--
Paper and allied products.....	46,237	25,995	24,043	2,714	3,092	379	3,092	360
Converted paper and paperboard products, except containers and boxes.....	8,194	2,247	868	284	604	320	604	--
Printing, publishing, and allied products.....	16,073	3,889	2,964	3,287	3,294	7	3,294	1,213
Periodicals, publishing, and printing.....	7,460	1,096	944	2,880	2,880	--	2,880	1,213
Books.....	4,304	696	463	30	37	7	37	--
Chemicals and allied products.....	157,189	11,123	8,166	17,956	18,243	288	18,243	1,250
Industrial inorganic and organic chemicals.....	83,644	3,413	1,809	4,466	4,474	8	4,474	852
Plastics materials and synthetics (resins, rubber, fibers).....	38,145	3,133	2,589	6,166	6,202	36	6,202	127
Drugs.....	18,441	613	501	946	956	10	956	--
Soap, detergents, and cleaning preparations.....	2,008	1,025	793	3,013	3,014	1	3,014	271
Paints, varnishes, lacquers, enamels, and allied products.....	1,296	743	596	229	283	54	283	--
Miscellaneous chemical products.....	11,002	1,834	1,600	3,245	3,314	69	3,314	--
Petroleum refining and related products.....	1,408	763	345	439	439	--	439	--
Rubber and miscellaneous plastics products.....	8,505	1,249	836	3,011	3,011	--	2,984	--
Miscellaneous plastics products.....	6,378	792	672	2,775	2,775	--	2,775	--
Leather and leather products.....	6,068	1,266	1,107	8,017	8,017	--	8,015	5,625
Stone, clay, glass, and concrete products.....	4,387	1,419	415	3,146	3,146	--	3,146	1,840
Primary metal products.....	28,660	1,297	763	1,657	1,660	3	1,660	--
Fabricated metal products, except ordnance, machinery, and transportation equipment.....	74,110	12,234	9,203	15,051	15,416	365	15,378	860
Cutlery, hand tools, and general hardware.....	3,796	1,282	1,123	1,085	1,090	5	1,090	--
Fabricated structural metal products.....	3,732	472	399	2,744	2,949	205	2,949	--
Miscellaneous fabricated metal products.....	49,757	8,192	5,791	8,201	8,206	5	8,168	324

Footnotes at end of table.

Table 1.--Active IC-DISC Returns: Assets, Receipts, Deductions, Income, and Deductions of IC-DISC's, and Total Export Gross Receipts of IC-DISC's and Related U.S. Persons, by Selected Major Product or Service Group--Continued

[Money amounts are in thousands of dollars]

Selected major product or service group	Cost of sales and operations	Export promotion and other expenses		Net income or deficit			Taxable income	
		Total	Export promotion expenses	Net income (less deficit)	Net income	Deficit	Total	Portion attributable to excess qualified export receipts
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Manufactured products--continued								
Machinery, except electrical.....	103,005	19,082	14,258	21,602	22,259	657	22,166	600
Engines and turbines.....	10,685	275	110	2,130	2,130	--	2,130	--
Farm machinery and equipment.....	2,532	1,078	1,014	1,663	1,789	125	1,789	--
Construction, mining, and materials handling machinery and equipment.....	19,154	2,966	2,360	3,043	3,152	109	3,152	--
Metalworking machinery and equipment.....	2,424	361	194	1,395	1,509	114	1,509	--
Special industry machinery, except metalworking machinery....	38,487	8,452	6,596	4,445	4,445	--	4,421	16
General industrial machinery and equipment.....	8,863	2,517	2,048	4,077	4,132	55	4,062	584
Miscellaneous machinery, except electrical.....	20,860	3,430	1,935	4,816	5,068	253	5,068	--
Electrical machinery, equipment, and supplies.....	191,949	37,196	29,437	38,121	38,997	876	38,778	3,710
Electrical industrial apparatus.....	5,958	1,438	1,164	1,237	1,364	127	1,266	--
Communication equipment.....	3,323	850	361	1,835	1,836	1	1,836	63
Electronic components and accessories.....	84,332	17,753	14,161	12,801	13,229	428	13,161	80
Miscellaneous electrical machinery and supplies.....	79,637	13,049	10,464	20,740	21,045	305	20,991	3,314
Transportation equipment.....	102,559	28,359	21,564	29,894	30,280	386	30,238	9,511
Motor vehicles and motor vehicle equipment.....	27,471	6,936	5,560	15,558	15,928	370	15,894	5,920
Aircraft and parts.....	71,299	21,149	15,752	11,086	11,092	6	11,083	2,304
Miscellaneous transportation equipment.....	3,768	265	245	2,793	2,802	10	2,802	1,287
Professional, scientific, and controlling instruments.....	63,309	13,106	10,728	16,417	17,069	652	17,035	2,613
Engineering, laboratory, scientific, and research instruments....	7,323	2,723	2,084	5,335	5,689	354	5,689	--
Instruments for measuring, controlling, and indicating physical characteristics.....	3,663	346	274	1,024	1,026	2	1,026	--
Surgical, medical, and dental instruments and supplies.....	35,899	9,320	7,953	8,294	8,305	11	8,271	2,613
Photographic equipment and supplies.....	2,341	371	120	161	446	285	446	--
Miscellaneous manufactured products.....	97,831	32,539	24,942	10,686	11,191	505	11,182	2,246
Toys, amusement, sporting, and athletic goods.....	15,080	2,955	848	1,808	1,808	--	1,799	--
Miscellaneous manufactured products.....	65,088	25,181	22,934	6,707	7,213	505	7,213	2,246
Nonmanufactured products and services.....	130,542	15,434	9,885	20,246	20,395	149	20,264	4,454
Grains and soybeans.....	1,332	87	84	4,687	4,687	--	4,687	4,161
Crops, except cotton, grains, and soybeans.....	103,114	9,050	6,006	6,688	6,691	3	6,688	164
Export management services.....	85	603	396	2,753	2,887	134	2,861	--
Computer software.....	2,584	692	562	4,139	4,139	(^a)	4,139	128
Miscellaneous nonmanufactured products and services.....	12,887	1,488	1,253	730	730	--	713	--
Product or service not allocable.....	204	77	75	72	109	36	109	--

Footnotes at end of table.

Table 1.--Active IC-DISC Returns: Assets, Receipts, Deductions, Income, and Deductions of IC-DISC's, and Total Export Gross Receipts of IC-DISC's and Related U.S. Persons, by Selected Major Product or Service Group--Continued

[Money amounts are in thousands of dollars]

Selected major product or service group	Taxable income-- continued		Amount deemed distributed	Tax-deferred IC-DISC income reported to shareholders	Actual distributions to shareholders	Current-year export gross receipts of IC-DISC's and related U.S. persons		
	Adjusted IC-DISC income subject to tax-deferral computation	Current-year tax deferred income				Total ⁵	IC-DISC's	Related U.S. persons ⁵
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All products and services.....	173,911	171,830	54,004	529,776	143,670	3,864,290	3,493,513	370,777
Manufactured products.....	159,023	157,244	47,729	456,816	130,672	3,428,815	3,099,652	329,163
Food and kindred products.....	5,745	5,559	1,600	18,900	3,554	321,096	149,290	171,806
Meat products.....	914	894	507	2,972	857	86,801	52,925	33,877
Confectionary and related products.....	1,429	1,377	52	5,536	226	31,131	14,658	16,474
Miscellaneous food preparations and kindred products.....	1,208	1,219	236	2,959	1,477	159,907	54,925	104,982
Textile mill products.....	4,574	4,425	792	15,510	2,100	114,765	112,325	2,440
Apparel and other finished goods.....	1,972	1,915	89	7,352	376	43,022	43,022	-
Miscellaneous apparel and other accessories.....	1,549	1,506	47	4,790	201	21,855	21,855	-
Miscellaneous fabricated textile products.....	416	401	42	2,306	175	19,876	19,876	-
Lumber and wood products, except furniture.....	6,593	6,540	4,302	29,417	7,667	217,341	202,877	14,464
Sawmills and planing mills.....	2,960	2,933	1,969	10,258	2,678	91,212	91,212	-
Millwork, veneer, plywood, and prefabricated structural wood products.....	1,566	1,566	919	10,930	2,546	29,095	29,095	-
Miscellaneous wood products.....	2,067	2,041	1,413	7,852	2,443	97,035	82,570	14,464
Furniture and fixtures.....	1,451	1,428	47	1,579	1,094	21,676	21,676	-
Household furniture.....	933	920	27	1,190	801	13,637	13,637	-
Paper and allied products.....	2,549	2,522	570	11,056	4,551	108,786	108,786	-
Converted paper and paperboard products, except containers and boxes.....	463	508	97	6,225	1,815	25,274	25,274	-
Printing, publishing, and allied products.....	1,974	1,907	1,387	4,367	4,817	37,736	37,719	16
Periodicals, publishing, and printing.....	1,654	1,594	1,286	742	3,376	26,028	26,012	16
Books.....	37	37	-	564	1,052	5,024	5,024	-
Chemicals and allied products.....	16,384	15,858	2,385	36,532	9,734	265,895	257,099	8,796
Industrial inorganic and organic chemicals.....	3,225	3,054	1,420	10,969	1,501	116,469	116,469	(¹)
Plastics materials and synthetics (resins, rubber, fibers).....	5,897	5,833	370	11,442	5,382	55,487	52,454	3,033
Drugs.....	956	944	12	2,748	661	29,017	27,393	1,624
Soap, detergents, and cleaning preparations.....	2,743	2,637	376	2,924	1,779	27,346	25,470	1,876
Paints, varnishes, lacquers, enamels, and allied products.....	283	271	12	421	32	8,307	6,045	2,262
Miscellaneous chemical products.....	3,281	3,119	195	8,027	380	29,270	29,270	-
Petroleum refining and related products.....	439	421	18	2,782	367	7,778	7,778	-
Rubber and miscellaneous plastics products.....	2,643	2,506	478	8,310	355	35,988	35,988	-
Miscellaneous plastics products.....	2,434	2,308	466	6,246	342	31,363	31,363	-
Leather and leather products.....	2,390	2,387	5,644	4,175	3,135	101,399	101,399	-
Stone, clay, glass, and concrete products.....	1,306	1,275	1,871	1,500	3,828	69,314	69,314	-
Primary metal products.....	1,581	1,528	136	14,626	5,664	68,649	68,649	-
Fabricated metal products, except ordnance, machinery, and transportation equipment.....	13,799	13,094	2,294	40,976	7,786	227,270	227,225	45
Cutlery, hand tools, and general hardware.....	1,027	1,014	79	1,441	1,232	25,238	25,238	-
Fabricated structural metal products.....	2,894	2,877	72	6,841	610	28,129	28,129	-
Miscellaneous fabricated metal products.....	7,332	6,789	1,385	23,359	3,739	132,844	132,799	45

Footnotes at end of table.

Table 1.--Active IC-DISC Returns: Assets, Receipts, Deductions, Income, and Deductions of IC-DISC's, and Total Export Gross Receipts of IC-DISC's and Related U.S. Persons, by Selected Major Product or Service Group--Continued

(Money amounts are in thousands of dollars)

Selected major product or service group	Taxable income-- continued		Amount deemed distributed	Tax-deferred IC-DISC income reported to shareholders	Actual distributions to shareholders	Current-year export gross receipts of IC-DISC's and related U.S. persons		
	Adjusted IC-DISC income subject to tax-deferral computation	Current-year tax deferred income				Total ⁵	IC-DISC's	Related U.S. persons ⁵
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Manufactured products--continued								
Machinery, except electrical.....	20,622	19,989	2,297	55,898	12,819	397,786	397,640	146
Engines and turbines.....	2,101	1,977	155	4,902	571	29,653	29,653	--
Farm machinery and equipment.....	1,689	1,677	111	3,255	1,219	25,702	25,702	--
Construction, mining, and materials handling machinery and equipment.....	3,036	2,926	226	5,036	1,385	35,811	35,811	--
Metalworking machinery and equipment.....	1,204	1,154	373	4,352	2,414	12,100	11,954	145
Special industry machinery, except metalworking machinery....	4,286	4,205	216	13,423	3,151	109,701	109,701	(*)
General industrial machinery and equipment.....	3,408	3,279	792	14,429	1,090	56,501	56,501	--
Miscellaneous machinery, except electrical.....	4,874	4,746	412	10,298	2,979	127,621	127,621	--
Electrical machinery, equipment, and supplies.....	32,789	34,617	5,679	90,638	22,960	557,301	508,476	48,825
Electrical industrial apparatus.....	1,261	1,221	869	5,742	3,554	25,160	25,160	--
Communication equipment.....	1,766	1,666	170	6,030	141	33,404	33,404	--
Electronic components and accessories.....	11,950	11,470	2,162	40,503	5,865	250,619	207,858	42,760
Miscellaneous electrical machinery and supplies.....	16,585	19,062	2,152	34,561	13,019	212,388	206,324	6,065
Transportation equipment.....	20,061	19,754	10,492	48,484	20,785	414,424	352,602	61,822
Motor vehicles and motor vehicle equipment.....	9,652	9,554	6,348	19,592	11,514	249,960	196,308	53,652
Aircraft and parts.....	8,490	8,281	2,801	27,879	6,033	125,902	117,732	8,170
Miscellaneous transportation equipment.....	1,468	1,468	1,334	919	2,792	25,671	25,671	--
Professional, scientific, and controlling instruments.....	13,839	13,336	3,702	33,500	14,491	215,915	197,515	18,400
Engineering, laboratory, scientific, and research instruments....	5,512	5,280	409	9,416	4,652	82,564	71,064	11,500
Instruments for measuring, controlling, and indicating physical characteristics.....	1,003	944	82	2,963	3,714	28,992	22,092	6,900
Surgical, medical, and dental instruments and supplies.....	5,493	5,376	2,896	12,140	5,869	81,586	81,586	--
Photographic equipment and supplies.....	404	382	64	1,135	61	3,280	3,280	--
Miscellaneous manufactured products.....	8,314	8,185	3,945	31,216	4,589	202,663	200,260	2,404
Toys, amusement, sporting, and athletic goods.....	1,748	1,667	132	3,812	475	25,012	25,012	--
Miscellaneous manufactured products.....	4,744	4,750	3,410	19,170	3,585	142,890	140,486	2,404
Nonmanufactured products and services.....	14,779	14,483	5,952	68,941	8,793	432,905	391,291	41,614
Grains and soybeans.....	496	480	4,207	1,558	2,101	152,157	152,157	--
Crops, except cotton, grains, and soybeans.....	6,235	6,212	477	16,506	3,942	192,023	150,409	41,614
Export management services.....	2,643	2,597	264	12,159	348	14,395	14,395	--
Computer software.....	3,593	3,418	806	30,724	470	21,145	21,145	--
Miscellaneous nonmanufactured products and services.....	687	652	61	1,532	182	22,182	22,182	--
Product or service not allocable.....	109	103	322	4,019	4,206	2,570	2,570	--

¹Includes nonqualified assets.²Excludes shareholder's equity accounts.³Includes capital or ordinary gains or losses on the sale of business property.⁴Less than \$500.⁵Data will be slightly overstated since parent shareholders may create more than one IC-DISC.

NOTE: Detail may not add to totals because of rounding.